

Message Text

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22

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/110 W

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R 120430Z DEC 76

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 2736

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY ROME

AMEMBASSY TEHRAN

C O N F I D E N T I A L MUSCAT 1529

E.O. 11652: GDS

TAGS: ENRG BEXP MU

SUBJECT: ITALIAN FIRM WINS GAS PIPELINE CONTRACT

BEGIN UNCLASSIFIED.

1. ENI OF ITALY HAS RECENTLY BEEN AWARDED A CONTRACT TO CONSTRUCT A 320-KILOMETER PIPELINE FROM THE YIBAL GAS FIELDS IN THE NORTHERN INTERIOR OF OMAN TO A COASTAL SITE NEAR THE CAPITAL AREA. THE TOTAL COST OF THE PROJECT IS EXPECTED TO BE ABOUT \$94 MILLION AND WILL BE FINANCED BY THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT, THE ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT, THE ABU DHABI FUND, AND THE OMAN GOVERNMENT. CONSTRUCTION HAS ALREADY STARTED, AND THE PROJECT SHOULD BE COMPLETED BY EARLY 1978.

END UNCLASSIFIED.

2. BEGIN CONFIDENTIAL. TWELVE COMPANIES BID FOR THE CONTRACT; THE THREE TOP CONTENDERS FROM LOWEST TO HIGHEST PRICE WERE
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AN INDIAN-GERMAN CONSORTIUM, ENI, AND WILLIAMS BROTHERS IN-

TERNATIONAL (OF US). THE INDIAN COMPANY LOST THE BID LARGELY BECAUSE IT WOULD HAVE TAKEN TOO LONG TO COMPLETE THE PROJECT. ENI SEEMS TO HAVE PROPOSED THE BEST INITIAL COMBINATION OF PRICE AND COMPLETION TIME, WHILE WILLIAMS BROTHERS' BID WAS SIGNIFICANTLY HIGHER THAN THE WINNING ENTRY.

3. ENI WAS UNDOUBTEDLY HELPED BY FACT THAT MUHAMMED ZUBAIR, MINISTER OF COMMERCE, IS THEIR AGENT IN OMAN.

4. COMMENT: AWARDING OF PIPELINE CONTRACT TO ENI WAS A SUBSTANTIAL LOSS TO U.S. BUSINESS IN OMAN. IT IS EXPECTED THAT A 10" GAS DISTRIBUTION NETWORK WILL BE BUILT TO SEEB AND PERHAPS SOHAR UP BATINAH COAST AFTER MAIN 20" PIPELINE IS COMPLETED; US FIRMS, WHICH HAVE BUILT MOST OIL PIPELINES IN OMAN, WOULD HAVE HAD INSIDE TRACK TOWARD THIS SECONDARY CONTRACT IF WILLIAMS BROTHERS HAD WON 20" JOB, BUT IT IS NOW PROBABLE THAT ENI WILL DO SECONDARY NETWORK AS WELL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, GAS PIPELINES, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 12 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MUSCAT01529
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760458-0587
From: MUSCAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761250/aaaabqpi.tel
Line Count: 80
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by BoyleJA>; APPROVED <09 SEP 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN FIRM WINS GAS PIPELINE CONTRACT BEGIN UNCLASSIFIED.
TAGS: ENRG, BEXP, MU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006